

CARBON RECREATION & TRANSPORTATION

SPECIAL SERVICE DISTRICT

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

**CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
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FOR THE YEAR ENDED DECEMBER 31, 2006**

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**CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
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FOR THE YEAR ENDED DECEMBER 31, 2006**

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SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Carbon County Recreation & Transportation
Special Service District
Price, Utah 84501

We have audited the accompanying financial statements of the governmental activities and each major fund of Carbon County Recreation & Transportation Special Service District (a component unit of Carbon County) as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities and each major fund of Carbon County Recreation & Transportation Special Service District as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2007 on our consideration of Carbon County Recreation & Transportation Special Service District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing".

Price, Utah

August 2, 2007

**CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Our discussion and analysis of Carbon County Recreation & Transportation Special Service District's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2006.

FINANCIAL HIGHLIGHTS

- ❖ The District's net assets increased \$3,120,420 during 2006 compared to an increase of \$2,768,911 during 2005. Net assets of our governmental activities (the only activity that the District has) increased significantly.
- ❖ Total expenses during the current year were \$8,307,094, compared to \$5,875,425 for 2005. The expenses were \$7,731,919 more than the direct revenues received of \$575,175 for charges for services. The expenses increased by \$2,431,669 or 41.4%.
- ❖ Mineral lease revenue for the year ended December 31, 2006 was \$10,238,598 compared to \$7,589,066 for the previous year. This was an increase of \$2,649,532 or 34.9%.
- ❖ The Capital Project Fund reported an increase in Fund Balance of \$147,060, after transfers and other contributions, while the Debt Service Fund reported a decrease of \$412,618.
- ❖ The District expanded their services during the year to provide funding for garbage, fire protection, dispatch and animal control.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports: Statement of Net Assets and the Statement of Activities (on pages 10-12) provide information about the activities of the District as a whole and present a long-term view of the District's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most financially significant funds.

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District as a whole begins on page 10. The Statement of Net Assets and Statement of Activities report information about the District as a whole and about its activities in a way that helps determine if the District is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the District's financial position. Increases or decreases in the District's net assets are one indicator of whether the financial position of the District is improving or deteriorating.

REPORTING THE DISTRICT AS A WHOLE (Continued)

In the Statement of Net Assets and the Statement of Activities, the District shows all of the activities in one fund:

Governmental activities—All of the District's basic services are reported here, including the general and administration cost, contributions to other agencies and interest on long-term debt. Charges for services, contributions and Mineral Lease revenues finance most of these activities.

Reporting the District's Most Significant Funds

Our analysis of the District's major funds begins on page 13. The fund financial statements begin on page 13 and provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. The District established other funds to help it control and manage money for particular purposes (capital projects and debt service payments) or to show that it is meeting legal responsibilities for using mineral lease funds, grants, and other money. The District is operated with governmental funds, which use a different accounting approach.

Governmental funds—All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship or differences between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.

The District as Trustee

The District does not hold any funds or property in a trustee capacity. Consequently, no trustee information is required to be presented.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. The District's Statement of Net Assets, which increased during the current calendar year, presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. The government-wide financial statements include the District's activity only. If the District (the primary government) had accountability to any other entity (known as a component unit), that information would also be presented in the government-wide financial statements. Financial information for a component unit would be reported separately from the financial information presented for the primary government. The analysis below, focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities.

Government-wide financial statements (Continued)

Table 1
Net Assets

	Governmental Activities	Governmental Activities
	2005	2006
Current and other assets	\$ 12,637,173	\$ 15,802,374
Capital assets	2,643,587	2,677,879
Total assets	\$ 15,280,760	\$ 18,480,253
Current liabilities	\$ 1,209,340	\$ 2,272,413
Long-term debt outstanding	5,593,559	4,511,559
Total liabilities	\$ 6,802,899	\$ 6,783,972
Net assets:		
Invested in capital assets, net of debt	\$ 2,243,587	\$ 2,477,879
Restricted for:		
Capital projects	3,553,262	3,798,322
Debt service	6,483,717	5,593,559
Unrestricted	(3,802,705)	(173,479)
Total net assets	\$ 8,477,861	\$ 11,696,281

Net Assets of the District's governmental activities increased significantly (\$11,696,281 compared to \$8,477,861). *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—is a negative (\$173,479) at the end of the year. These net assets are at a deficit amount, because a substantial amount of debt has been issued to develop roads and infrastructure that is not owned by the District. The District collects road toll fees for some of the debt payments.

Government-wide financial statements (Continued)

Table 2
Changes in Net Assets

	Governmental Activities	Governmental Activities
	2005	2006
Revenues		
Program Revenues:		
Charges for services	\$ 609,075	\$ 575,175
General Revenues		
Mineral Lease revenue	7,589,066	10,238,598
State PILT	90,192	92,172
Investment earnings	356,003	521,569
Total revenues	\$ 8,644,336	\$ 11,427,514
Program Expenses		
Highways and public improve.	\$ 4,098,782	\$ 3,890,925
Parks, recreation & pub. improv.	914,948	439,068
Intergovernmental	618,564	3,762,076
Interest on long-term debt	243,131	215,025
Total expenses	\$ 5,875,425	\$ 8,307,094
Change in net assets	\$ 2,768,911	\$ 3,120,420
Net Assets - beginning	\$ 5,708,950	\$ 8,477,861
Prior period adjustment		98,000
Net Assets - ending	8,477,861	11,696,281
Change in net assets	\$ 2,768,911	\$ 3,120,420

Government-wide financial statements (Continued)

The District's operational goals for future years is to continue to strive to use the allotted funds in the best interest of the District and those who are served by the District's operations. As revenues increase, the funds will be used to make necessary road and recreation improvements, and purchase supplies and equipment that are appropriate and beneficial.

Governmental Activities

Mineral lease funds for the District, which are the major revenue source, increased \$2,649,532, a 34.9 percent increase. Total expenses using these funds increased \$2,431,669, an increase of 41.4 percent. Charges for services decreased \$33,900, a decrease of 5.6 percent. The largest source of funds (Mineral lease revenue) enables the District the opportunity to fund a variety of improvement and recreation projects. Primarily because of the increase in these funds, the fund balances for governmental activities increased \$3,120,420 in 2006.

The cost of all governmental activities this year was \$8,307,094. As shown in the Statement of Activities on page 12, Mineral Lease revenue paid for the majority of these activities, charges for road toll fees paid 14.8 percent of the highway and public improvements costs and interest income was accumulated for future expenses. Overall, the District's governmental program revenues (road toll fees), decreased in 2006 from \$609,075 to \$575,175, a 5.6 percent change.

Costs of the District are centered within several programs—Highways and public improvements, Parks, recreation & public improvements, Intergovernmental and interest on long-term debt. The net cost of expenditures (over) specific program revenues shows the financial burden that utilizes the Mineral lease funds and interest income.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised their budget once. The original budget was adopted on December 28, 2005 and was adjusted on December 21, 2006. The budget was amended to \$7,724,300 to account for additional revenue received and to prevent budget overruns. The differences in the original budget and final amended budget are summarized as follows: 1) increase in General fund revenue for Mineral Lease and interest revenue (\$1,084,300), 2) increase in Highway and public improvements expenditures (\$214,300), 3) increase in Parks, Recreation and Public Property expenditures (\$261,700) and 4) increase in contributions to other governments (\$608,300).

The actual charges for expenditures were \$4,347,004. This was \$10,296 below the final budget amounts. The most significant favorable variance (\$6,013) occurred in Parks, recreations and public property.

Resources for revenues were \$10,402,015. This was \$2,677,715 over the final budgeted amount. The most significant favorable variance (\$2,656,470) occurred in intergovernmental revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of December 31, 2006, the District had \$3,493,414 (cost) invested in a broad range of capital assets, including land, water stock, buildings, improvements other than buildings, and equipment (see Table 4 below). This amount increased \$118,345 over the previous year due to the purchase of various equipment.

Capital Assets (Continued)

Table 4
Capital Assets at Year-End
(Net of Depreciation)
December 31, 2005 and 2006

	Governmental Activities 2005	Governmental Activities 2006
Water stock	\$ 110,000	\$ 110,000
Land	1,405,487	1,405,487
Buildings	106,334	102,794
Improvements other than buildings	798,666	753,223
Equipment	223,100	306,375
Total assets activities	<u>\$ 2,643,587</u>	<u>\$ 2,677,879</u>

Major additions during the year included: Two Rough mowers - \$80,800, greens aerator - \$12,800, an articulator rough unit - \$15,695 and a Ford Ranger truck - \$9,050. These were all purchased with mineral lease funds.

The District's calendar year 2007 capital budget calls for spending on capital projects, principally for purchases of necessary equipment and for major capital projects. Although the budget reflects purchases for varying amounts, the majority of the purchases, are not owned by the District and therefore, are not picked up as Capital assets of the District. These assets should be recorded in the entity that owns the projects. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Long-term debt

As of December 31, 2006, the District had \$5,593,559 in bonds and notes payable outstanding. The debt represents refunding bonds and revenue bonds secured solely by specified revenue sources (road toll fees) and a note payable secured by the land. The following table (table 5) shows outstanding debt for the current year.

Long-term debt (Continued)

Table 5
Outstanding Debt as of
December 31, 2005 and 2006

	Governmental Activities	Governmental Activities
	2005	2006
Refunding bonds payable	\$ 1,832,559	\$ 1,394,559
Revenue bonds payable	4,411,000	3,999,000
Promissory note payable	400,000	200,000
Total debt	<u>\$ 6,643,559</u>	<u>\$ 5,593,559</u>

No new debt was issued during the current calendar year. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FORECAST AND FUTURE BUDGET

The Carbon County Recreation and Transportation Special Service District will be budgeting funds to complete ongoing projects and some new projects throughout Carbon County for 2008. The Events Center at the Fairgrounds, the Carbon County Road Department and numerous road construction projects will need additional funding for completion. The costs for these projects have increased dramatically because of the increased construction costs throughout the State. New projects being discussed are a recreational facility for the Carbon County Senior Citizen Center and a miniature golf course being proposed in Price City. The District will also be budgeting for ongoing capital improvement projects at the Carbon County Fairgrounds and the Carbon County Golf Course.

The District will begin making annual debt payments on several projects in 2008. The Board has approved making the debt payments on the CIB loans for the Carbon County Events Center, the Carbon County Road Shop, the North Springs Shooting Facility and the Consumers Road improvement project. The District is also obligated to fund the annual payments on the Dugout Canyon Road, the West Ridge (C Canyon) Road and Ridge Road.

The District's Mineral Lease revenues have continued to increase in 2007 and should remain constant throughout 2008.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our community with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrator, Linda Ballard at 120 East Main, Price, Utah 84501.

CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 3,605,689
Investments, unrestricted	780,427
Restricted:	
Investments	9,224,977
Due from other governments	2,191,281
	<hr/>
Total current assets	\$ 15,802,374
	<hr/>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	
Land	\$ 1,405,487
Water stock	110,000
Buildings	102,794
Improvements	753,223
Equipment	306,375
	<hr/>
Total noncurrent assets	\$ 2,677,879
	<hr/>
Total assets	\$ 18,480,253
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"The accompanying notes are an integral part of this statement."

**CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES:	
Current liabilities:	
Accounts payable	\$ 1,108,951
Accrued liabilities	193
Bond interest payable	81,269
Current portion of long-term obligations	1,082,000
	<hr/>
Total current liabilities	\$ 2,272,413
	<hr/>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	\$ 4,511,559
	<hr/>
Total noncurrent liabilities	\$ 4,511,559
	<hr/>
Total liabilities	\$ 6,783,972
	<hr/>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 2,477,879
Restricted for:	
Capital projects	3,798,322
Debt service	5,593,559
Unrestricted	(173,479)
	<hr/>
Total net assets	\$ 11,696,281
	<hr/>
Total liabilities and net assets	\$ 18,480,253
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"The accompanying notes are an integral part of this statement."

**CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

				Net (Expense) Revenue and Changes in Net Assets
		Program Revenues		
			Capital	
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
<u>FUNCTION/PROGRAMS</u>				
Primary Government:				
Governmental activities:				
Highways and public improvements	\$ 3,890,925	\$ 575,175		\$ (3,315,750)
Parks, recreation & public improvements	439,068			(439,068)
Intergovernmental	3,762,076			(3,762,076)
Interest on long-term debt	215,025			(215,025)
Total governmental activities	<u>\$ 8,307,094</u>	<u>\$ 575,175</u>	<u>\$...</u>	<u>\$ (7,731,919)</u>
General Revenues:				
Mineral lease				\$ 10,238,598
State PILT				92,172
Investment earnings				521,569
Total general revenues, special items, and transfers				<u>\$ 10,852,339</u>
Change in net assets				\$ 3,120,420
Net assets - beginning				8,477,861
Prior period adjustment				98,000
Net assets - ending				<u>\$ 11,696,281</u>

"The accompanying notes are an integral part of this statement."

**CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	GENERAL FUND	DEBT SERVICE	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,976,198	\$ 462,567	\$ 166,924	\$ 3,605,689
Investments - unrestricted	693,301	87,126		780,427
Investments - restricted		5,593,559	3,631,418	9,224,977
Due from other governments	2,191,281			2,191,281
Due from debt service fund	72,153			72,153
Total assets	<u>\$ 5,932,933</u>	<u>\$ 6,143,252</u>	<u>\$ 3,798,342</u>	<u>\$ 15,874,527</u>
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES:				
Accounts payable	\$ 1,108,931		\$ 20	\$ 1,108,951
Accrued liabilities	193			193
Due to other funds		\$ 72,153		72,153
Total liabilities	<u>\$ 1,109,124</u>	<u>\$ 72,153</u>	<u>\$ 20</u>	<u>\$ 1,181,297</u>
FUND BALANCES:				
Reserved for:				
Debt service		\$ 5,593,559		\$ 5,593,559
Capital projects fund			\$ 3,798,322	3,798,322
Unreserved, reported in:				
General fund	\$ 4,823,809			4,823,809
Debt service		477,540		477,540
Total fund balances	<u>\$ 4,823,809</u>	<u>\$ 6,071,099</u>	<u>\$ 3,798,322</u>	<u>\$ 14,693,230</u>
Total liabilities and fund balances	<u>\$ 5,932,933</u>	<u>\$ 6,143,252</u>	<u>\$ 3,798,342</u>	<u>\$ 15,874,527</u>

"The accompanying notes are an integral part of this statement."

CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Total fund balances - governmental fund types: \$ 14,693,230

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

Land	\$ 1,405,487	
Water stock	110,000	
Buildings	102,794	
Improvements	753,223	
Equipment	306,375	2,677,879

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.

Bond interest payable	\$ (81,269)	
Bonds payable - current portion	(882,000)	
Bonds payable - one year or more	(4,511,559)	
Note payable - current portion	(200,000)	(5,674,828)

Net assets of governmental activities \$ 11,696,281

"The accompanying notes are an integral part of this statement."

**CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

				TOTAL GOVERNMENTAL FUND
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	DECEMBER 31, 2006
REVENUES:				
Intergovernmental revenue	\$ 10,330,770			\$ 10,330,770
Charges for services		\$ 575,175		575,175
Interest revenue	71,245	285,984	\$ 164,341	521,570
Total revenues	\$ 10,402,015	\$ 861,159	\$ 164,341	\$ 11,427,515
EXPENDITURES:				
Current -				
Highways and public improvements	\$ 3,890,317			\$ 3,890,317
Parks, Recreation and Public Property	456,687		\$ 17,281	473,968
Debt service -				
Principal retirement		\$ 1,050,000		1,050,000
Interest and agent fees		223,777		223,777
Total expenditures	\$ 4,347,004	\$ 1,273,777	\$ 17,281	\$ 5,638,062
Excess of revenue over (under) expenditures	\$ 6,055,011	\$ (412,618)	\$ 147,060	\$ 5,789,453
OTHER FINANCING SOURCES (USES):				
Contribution to other governments	\$ (3,762,076)			\$ (3,762,076)
Total other financing sources (uses)	\$ (3,762,076)	\$...	\$...	\$ (3,762,076)
Excess of revenues and other sources over (under) expenditures and other uses	\$ 2,292,935	\$ (412,618)	\$ 147,060	\$ 2,027,377
FUND BALANCE, January 1,	2,530,874	6,483,717	3,553,262	12,567,853
Prior period adjustment			98,000	98,000
FUND BALANCE, December 31,	\$ 4,823,809	\$ 6,071,099	\$ 3,798,322	\$ 14,693,230

"The accompanying notes are an integral part of this statement."

CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

Net changes in fund balances - total governmental funds	\$	2,027,377
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Amounts reported for governmental activities in the statement of activities are different because:

<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$118,345) exceeded depreciation (\$84,053) in the current period.</p>		34,292
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The issuance of long-term debt (e.g., bonds and notes payable) provides current financial resources to governmental funds, while the repayment of the principal and interest of long-term debt consumes the current financial resources of governmental funds. In the Statement of Activity, principal payment on bonds and notes payable are not recorded and interest expense is recognized as it accrues, regardless of when it is due. Also, governmental funds report the effect of issuance costs and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of general obligation bonds and related items are as follows:

Repayment of bond principal	\$ 1,050,000		
Interest expense - revenue bonds	8,751		1,058,751
Change in net assets of governmental activities	\$		3,120,420

"The accompanying notes are an integral part of this statement."

**CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. HISTORY AND ORGANIZATION

Carbon County Recreation & Transportation Special Service District was established to provide central management, operational control, funding and fiscal responsibility for the construction, operation and management of recreation, transportation projects, garbage, fire protection, dispatch and animal control (expanded in the current year) and other related services. The District is governed by a Board of Directors appointed by the Carbon County Commissioners. The Board of Directors has all powers and duties in the operation of the District, which are delegated to it by the Carbon County Commissioners, including: the power of eminent domain and the power to enter into contracts, issue revenue bonds, select its domicile, set meeting times, adopt regulations and bylaws for its operations and adopt budgets.

The District has not created any other agency nor has any authority over any other agency. Therefore, no other agency is included in the "reporting entity." However, the District is considered a "Component Unit of Carbon County" since the District meets the criteria set forth in the Governmental Accounting Standards Board statement Number 14, "The Financial Reporting Entity," regarding component units. Some of the criteria to be considered in determining financial accountability include: appointing a majority of the District's governing body, the ability of the County Commission to impose its will on the District and the potential for the District to provide specific financial benefits to, or impose specific burdens on, the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Carbon County Recreation & Transportation Special Service District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. Certain significant changes in the Statement include the following:

- 1) A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 2) Financial statements prepared using full-accrual accounting for all of the District's activities.
- 3) A change in the fund financial statements to focus on the major funds.

This and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

The criteria used by Carbon County Recreation & Transportation Special Service District to determine the reporting entity consists of including any governmental department, agency, institution, commission or other governmental organization of which the District's governing board has financial accountability. Financial accountability is derived from the governmental units' power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other. According to this criteria, the District is considered a "component unit" of Carbon County, and has been included in Carbon County's financial statements.

B. Government-Wide Financial Statements

Generally accepted accounting principles (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. These government-wide financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont'd)**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accruals revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets

Capital assets, which include, land, water stock, buildings, improvements, other than buildings, and equipment are reported in the government-wide financial statements. The District defines capital assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the District is not included as part of the capitalized value of the assets constructed.

Buildings, improvements, other than buildings and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements, other than buildings	20 – 30
Equipment	5 – 25

E. Budgeting

The system of budgeting used by the District complies primarily with the procedures outlined in the "State of Utah Uniform Accounting Manual for Special Districts," which is in accordance with generally accepted accounting principles. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at year-end.

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance – that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Directors.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least ten days prior to the meetings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgeting (Continued)

6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Directors.
7. The Board of Directors considers the comments made by the public and makes final adjustments to the budget.
8. By December 31, the Board of Directors adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

F. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net assets.

H. Net Assets/Fund Balances

The difference between assets and liabilities is "Net Assets" on the government-wide financial statements and "Fund Balance" on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as reserved, unreserved designated, or unreserved undesignated. Reserves represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

I. Interfund Transactions

Transfers between governmental activities are reported at the net amount in the government-wide Statement of Activities. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Assets.

3. DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2006, the District's bank balance of cash on deposit was \$3,605,689 of this amount \$100,000 was insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

3. DEPOSITS AND INVESTMENTS (Continued)

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and investments. Income from the investment of the pooled cash is allocated based on each fund's portion of the pool. In addition, cash is separately held by some funds.

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 10,005,404	\$ 10,005,404			
Total Investments	\$ 10,005,404	\$ 10,005,404	\$...	\$...	\$...

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk by complying with the State's Money Management Act as previously discussed.

3. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2006, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			Unrated
		AAA	AA	A	
State of Utah Public Treasurer's Investment Fund	\$ 10,005,404				\$ 10,005,404
Total	\$ 10,005,404	\$...	\$...	\$...	\$ 10,005,404

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, the District had \$10,005,404 invested in the Public Treasurer's Investment Fund and was held by them.

4. CAPITAL ASSETS

A summary of changes in general fixed assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,405,487			\$ 1,405,487
Water Stock	110,000			110,000
Total capital assets not being depreciated	<u>\$ 1,515,487</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 1,515,487</u>
Capital assets being depreciated:				
Buildings	\$ 141,618			\$ 141,618
Improvements other than buildings	1,333,828			1,333,828
Equipment	384,136	\$ 118,345		502,481
Total capital assets being depreciated	<u>\$ 1,859,582</u>	<u>\$ 118,345</u>	<u>\$...</u>	<u>\$ 1,977,927</u>
Less accumulated depreciation for:				
Buildings	\$ 35,284	\$ 3,540		\$ 38,824
Improvements other than buildings	535,162	45,443		580,605
Equipment	161,036	35,070		196,106
Total accumulated depreciation	<u>\$ 731,482</u>	<u>\$ 84,053</u>	<u>\$...</u>	<u>\$ 815,535</u>
Total capital assets being depreciated, net	<u>\$ 1,128,100</u>	<u>\$ 34,292</u>	<u>\$...</u>	<u>\$ 1,162,392</u>
Governmental activities capital assets, net	<u>\$ 2,643,587</u>	<u>\$ 34,292</u>	<u>\$...</u>	<u>\$ 2,677,879</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Parks, recreation and public improvements	\$ 83,445
Highways and public improvements	<u>608</u>

Total depreciation expense – governmental activities \$ 84,053

5. SCHEDULE OF CHANGES - GENERAL LONG TERM DEBT

Carbon County Recreation & Transportation Special Service District issued \$2,500,000 in Road Improvement Revenue Refunding Bonds - Series 1994. The bonds carry an interest rate of 3.0% per annum with interest and principal payments commencing August 1, 2005 and on each August 1st thereafter until maturity. The bonds mature on August 1, 2009. The repayment schedule is as follows:

<u>DATE PAYMENT DUE</u>	<u>PRINCIPAL DUE</u>	<u>INTEREST CHARGES</u>	<u>TOTAL PRINCIPAL AND INTEREST</u>
August 1, 2007	\$ 451,000	\$ 41,837	\$ 492,837
August 1, 2008	465,000	28,307	493,307
August 1, 2009	478,559	14,357	492,916
Total	<u>\$ 1,394,559</u>	<u>\$ 84,501</u>	<u>\$ 1,479,060</u>

During 1998, Carbon County Recreation & Transportation Special Service District issued \$3,005,000 of Highway Revenue Bonds for the "C" Canyon Toll Road Project. The bonds carry an interest rate ranging from 6.1% to 6.4% per annum and is payable semi-annually each April 1st and October 1st commencing April 1, 1999. Principal payments on this bond issue began on October 1, 1999 and continue through October 1, 2013. The repayment schedule is as follows:

<u>DATE PAYMENT DUE</u>	<u>PRINCIPAL DUE</u>	<u>INTEREST CHARGES</u>	<u>TOTAL PRINCIPAL AND INTEREST</u>
April 1, 2007		\$ 53,830	\$ 53,830
October 1, 2007	\$ 206,000	53,830	259,830
April 1, 2008		47,238	47,238
October 1, 2008	219,000	47,238	266,238
April 1, 2009		40,230	40,230
October 1, 2009	233,000	40,230	273,230
April 1, 2010		33,123	33,123
October 1, 2010	248,000	33,123	281,123
April 1, 2011		25,559	25,559
October 1, 2011	263,000	25,559	288,559
2012 - 2013	575,000	53,131	628,131
Total	<u>\$ 1,744,000</u>	<u>\$ 453,091</u>	<u>\$ 2,197,091</u>

5. **SCHEDULE OF CHANGES - GENERAL LONG TERM DEBT (Continued)**

During 1998, Carbon County Recreation & Transportation Special Service District issued \$3,300,000 of Highway Revenue Bonds for the Dugout Canyon Toll Road Project. The bonds carry an annual interest rate of 3.0%. The District is required to make principal and interest payments each July 1st until the bonds mature on July 1, 2013. The repayment schedule is as follows:

DATE PAYMENT DUE	PRINCIPAL DUE	INTEREST CHARGES	TOTAL PRINCIPAL AND INTEREST
July 1, 2007	\$ 225,000	\$ 67,650	\$ 292,650
July 1, 2008	232,000	60,900	292,900
July 1, 2009	339,000	53,940	392,940
July 1, 2010	349,000	43,770	392,770
July 1, 2011	359,000	33,300	392,300
2012-2013	751,000	33,960	784,960
Total	<u>\$ 2,255,000</u>	<u>\$ 293,520</u>	<u>\$ 2,548,520</u>

During 2003, the District entered into a promissory note to purchase real property and certain mineral and water rights located in Scofield, Utah. The terms of the agreement are as follows: Consideration for an option agreement for fifty thousand dollars (\$50,000) allowed the District ninety days to exercise an option to purchase the aforementioned property for \$1,000,000. The District later exercised their option by paying \$150,000 down and signing an \$800,000 promissory note secured by a deed of trust. The note of \$800,000 carries an interest rate of zero percent per annum. Principal payments on this note begin on December 31, 2004 and continue each December 31st thereafter until maturity. The repayment schedule is as follows:

DATE PAYMENT DUE	PRINCIPAL DUE	TOTAL PRINCIPAL AND INTEREST
December 31, 2007	<u>\$ 200,000</u>	<u>\$ 200,000</u>
Total	<u>\$ 200,000</u>	<u>\$ 200,000</u>

5. **SCHEDULE OF CHANGES - GENERAL LONG TERM DEBT (Continued)**

The change in bonds and notes payable for the year ended December 31, 2006 is listed below:

Description	Balance 12-31-05	Debt Retirement	New Debt	Balance 12-31-06	Due Within One Year
Refunding Bond, Series 1994	\$ 1,832,559	\$ (438,000)		\$ 1,394,559	\$ 451,000
Revenue Bond, Series 1998	1,938,000	(194,000)		1,744,000	206,000
Revenue Bond, Series 1998	2,473,000	(218,000)		2,255,000	225,000
Note payable	400,000	(200,000)		200,000	200,000
	<u>\$ 6,643,559</u>	<u>\$(1,050,000)</u>	<u>\$...</u>	<u>\$ 5,593,559</u>	<u>\$ 1,082,000</u>

6. **BUDGET COMPLIANCE**

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - discloses budgetary compliance on a functional level as required by generally accepted accounting principles. Utah State law requires that budgetary compliance be measured on a fund level. During the year ended December 31, 2006, the District had no unfavorable variances.

7. **FUND BALANCE RESERVATIONS/NETS ASSETS RESTRICTIONS**

Fund balances in the Capital Projects and Debt Service Funds have been reserved at December 31, 2006 as follows:

Capital Projects Fund

\$3,798,322 has been reserved in the Capital Projects Fund for the purpose of acquiring or construction of capital assets.

Debt Service Fund

\$5,593,559 has been reserved in the Debt Service Fund for the purpose of paying principal and interest on general long-term debt.

8. RESTRICTED INVESTMENTS

Restricted investments shown in the Debt Service Fund on the balance sheet represent amounts held for the future payment of principal and interest payments.

9. RELATED PARTY TRANSACTIONS

The District does not have any related party transactions for the year 2006, nor are any individuals or companies deemed to be a related party.

10. RETIREMENT

The District does not have a retirement program.

11. COMPENSATED ABSENCES

The District does not have a policy in effect for compensated absences, because they have no individuals considered employees.

12. USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

13. PRIOR PERIOD ADJUSTMENT

Carbon County records all the District's transactions and maintains their general ledger. During 2005, two transactions were inadvertently credited to a Carbon County fund rather than to the District's fund. During the 2005 audit, these errors were not discovered and as result, the District's fund balance was understated by \$98,000. During the 2006 audit, these errors were discovered and a prior period adjustment of \$98,000 was made to correct the fund balance.

**CARBON COUNTY RECREATION & TRANSPORTATION
SPECIAL SERVICE DISTRICT
(A COMPONENT UNIT OF CARBON COUNTY)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	BUDGET AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES:				
Intergovernmental revenues	\$ 6,590,000	\$ 7,674,300	\$ 10,330,770	\$ 2,656,470
Interest revenue	50,000	50,000	71,245	21,245
Total revenues	\$ 6,640,000	\$ 7,724,300	\$ 10,402,015	\$ 2,677,715
EXPENDITURES:				
Highways and public improvements				
County contracts	\$ 3,590,000	\$ 3,710,800	\$ 3,710,458	\$ 342
Miscellaneous	90,300	183,800	179,859	3,941
Total highways and public improvements	\$ 3,680,300	\$ 3,894,600	\$ 3,890,317	\$ 4,283
Parks, Recreation and Public Property				
Contracts and capital expenditures	\$ 201,000	\$ 462,700	\$ 456,687	\$ 6,013
Total parks, recreation and public property	\$ 201,000	\$ 462,700	\$ 456,687	\$ 6,013
Total expenditures	\$ 3,881,300	\$ 4,357,300	\$ 4,347,004	\$ 10,296
Excess of revenues over (under) expenditures	\$ 2,758,700	\$ 3,367,000	\$ 6,055,011	\$ 2,688,011
OTHER FINANCING SOURCES (USES):				
Contributions from other governments	\$ 400,000	\$ 400,000		\$ (400,000)
Contributions to other governments	(3,158,700)	(3,767,000)	\$ (3,762,076)	4,924
Total other financing sources (uses)	\$ (2,758,700)	\$ (3,367,000)	\$ (3,762,076)	\$ (395,076)
Excess of revenues and other sources over (under) expenditures and other uses			\$ 2,292,935	\$ 2,292,935
Fund balances - beginning of year			2,530,874	2,530,874
Fund balances - end of year	\$...	\$...	\$ 4,823,809	\$ 4,823,809

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Carbon County Recreation & Transportation
Special Service District
Price, Utah 84501

Re: Report on Legal Compliance with Applicable
Utah State Laws and Regulations

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities and each major fund of Carbon County Recreation & Transportation Special Service District, for the year ended December 31, 2006, and have issued our report thereon dated August 2, 2007. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major State assistance program from the State of Utah:

Mineral Lease Funds (Department of Transportation)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Purchasing Requirements
Special Districts

Cash Management
Budgetary Compliance
Other Compliance Requirements

The District did not receive any non-major state grants for the year ended December 31, 2006.

The management of Carbon County Recreation & Transportation Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate letter issued August 2, 2007. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Carbon County Recreation & Transportation Special Service District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended December 31, 2006.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, reading "Laurie Rich Marsing".

Price, Utah

August 2, 2007

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Carbon County Recreation & Transportation
Special Service District
Price, Utah 84501

RE: Report on Compliance and Other Matters
and on Internal Control Over Financial
Reporting Based on an Audit of Financial
Statements Performed in Accordance With
Government Auditing Standards

We have audited the financial statements of the governmental activities and each major fund of Carbon County Recreation & Transportation Special Service District as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion of the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

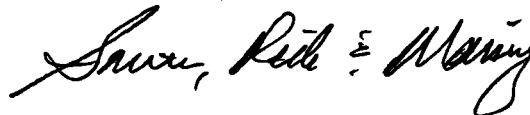
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated August 2, 2007.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

A handwritten signature in cursive script, appearing to read "Laura, Rich & Marsing", is written over the printed name.

Price, Utah

August 2, 2007

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Carbon County Recreation & Transportation
Special Service District
Price, Utah 84501

Ladies/Gentlemen:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the basic financial statements of Carbon County Recreation & Transportation Special Service District for the year ended December 31, 2006.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

STATE OF UTAH COMPLIANCE

Fund Balance Limitation Compliance

Districts are permitted to accumulate earnings or fund balances, as appropriate, in any fund. With respect to the general fund only, any accumulated fund balance is restricted to the following: The greater of:

- 1) 100% of the current year's property tax; or
- 2) 25% of the total general fund's revenues, if the annual general fund budget is greater than \$100,000 or 50% of the total general fund's revenues, if the annual general fund budget is equal to or less than \$100,000.

The District's general fund balance exceeds the allowable amount. (Maximum amount allowed is \$2,600,504. The District's fund balance is \$4,823,809)

We recommend that the District take appropriate measures to reduce the general funds unappropriated fund balance.

District's Response

We understand that we need to reduce the general fund unappropriated fund balance in the current calendar year. We have several capital projects that we will transfer funds from the general fund to the capital projects fund to supply the funds needed. We feel that the additional capital projects and transfer of cash from the general fund will significantly decrease the fund balance in the general fund for the current year. We anticipate being in compliance with this requirement in the future.

SUMMARY

We feel the State compliance issues mentioned above are areas where the District can make changes so as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Laurie, Rich & Marsing".

Price, Utah

August 2, 2007